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Guy M. Hicks
General Counsel

October 16, 2003

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T.R.A. DOCKET RECORD

VIA HAND DELIVERY

Mr. Joe Werner
Chief Telecommunications Group
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

Re: *BellSouth® Wireless AnswersSM Bundle*
Tariff No. 2003-1036

03-00554

Dear Mr. Werner:

Enclosed is BellSouth's response to the Staff Data Request dated October 9, 2003.

Very truly yours,



Guy M. Hicks

GMH:ch

Wireless Answers Bundle

Product ¹	Recurring Revenue	Recurring Cost	Margin \$	Margin %	Recurring Discount ²	Discounted Margin	Non-Recurring Revenue	Non-Recurring Waiver	Non-Recurring Cost	Non-Recurring Discounts	Non-Recurring Gain/(Loss)	Breakeven (mos.) ³
CC ⁴	\$ 29.00	\$ (13.64)	\$ 15.36	52.97%	\$ (1.83)	\$ 13.53	\$ 41.50	\$ -	\$ (42.51)	\$ -	\$ (1.01)	0.07
CC - 2 Line	\$ 39.95	\$ (27.28)	\$ 12.67	31.71%	\$ (1.83)	\$ 10.84	\$ 59.50	\$ -	\$ (57.60)	\$ -	\$ 1.90	Immediate
CC - 3 Line	\$ 59.95	\$ (40.92)	\$ 19.03	31.74%	\$ (1.83)	\$ 17.20	\$ 77.50	\$ -	\$ (72.69)	\$ -	\$ 4.81	Immediate
AP ⁵ w/ CC	\$ 44.00	\$ (26.10)	\$ 17.90	40.68%	\$ (1.83)	\$ 16.07	\$ 41.50	\$ -	\$ (42.51)	\$ -	\$ (1.01)	0.06
AP w/ CC - 2 Line	\$ 67.95	\$ (45.97)	\$ 21.98	32.35%	\$ (1.83)	\$ 20.15	\$ 59.50	\$ -	\$ (57.60)	\$ -	\$ 1.90	Immediate
AP w/ CC - 3 Line	\$ 99.95	\$ (65.84)	\$ 34.11	34.13%	\$ (1.83)	\$ 32.28	\$ 77.50	\$ -	\$ (72.69)	\$ -	\$ 4.81	Immediate

¹ BellSouth Preferred Pack ("BPP") & BPP VoiceMail Discounts funded entirely by Cingular

² Projected weighted average Wireless Answers discount funded by BST

³ Numbers indicate time in tenths of months; for example, 0.07 is seven tenths of one month.

⁴ CC indicates Complete Choice

⁵ AP indicates Area Plus

REQUEST: Is the bundle³ available for resale?

- a. If so, what are the rates, terms and conditions under which the bundle is made available for resale?
- b. If the bundle is not available for resale, please cite all federal and/or state rules, laws, regulations, etc. to justify your position.

RESPONSE: The bundle itself is not available for resale. The bundle consists of both wireless service provided by Cingular Wireless (which is not subject to TRA regulation) and BellSouth's regulated voice service. The statutory source of BellSouth's resale obligation is Section 251(c) of the 1996 Telecommunications Act, which requires that incumbent LECs offer for resale at wholesale rates any telecommunications service "that the carrier provides." BellSouth is an incumbent LEC, but it **does not provide** Cingular Wireless services. The wireless services included in the subject offer are provided by Cingular Wireless, which is not an incumbent LEC. Therefore there is no obligation to make Cingular Wireless services available for resale at wholesale rates. Regarding the voice telecommunications service which BellSouth **does provide**, BellSouth's telecommunications services are available for resale, on a stand-alone basis, at the standard tariff price minus the wholesale discount established by the TRA for such services. Provided that BellSouth makes these services available for resale at the standard tariff price less the requisite wholesale discount, there is no obligation to "tear apart the bundle" and make individual BellSouth-provided telecommunications services available for resale at a rate that is not available in the retail marketplace.

³ "Bundle" as used in this Data Request refers to the entire offering, including the regulated and non-regulated portions.

A carrier seeking to replicate the *BellSouth*[®] *Wireless Answers*SM bundle can purchase the stand-alone telecommunications services (Complete Choice, Area Plus) at the resale discount (or UNE prices or using its own facilities, where applicable), and can obtain wireless service from a number of CMRS providers in order to compete against BellSouth's integrated offering.

This bundled offer, which combines wireless and local regulated service reflects BellSouth's efforts to listen to its customers' particular needs and to answer with innovative solutions that work for customers. Because the *BellSouth*[®] *Wireless Answers*SM bundle will provide customers with another choice of integrated service offerings, BellSouth should be able to offer this bundle in competition against other providers without being subjected to new and expanded resale obligations.

Moreover, as a matter of regulatory policy, the Authority should encourage competitors to develop innovative offers, including bundles or packages of regulated and nonregulated services and products. Such innovation would be stifled if the Authority were to impose additional resale obligations, thereby denying Tennessee customers innovative offerings that are the fruits of competition.

With this integrated bundle, residential customers in Tennessee have another choice in the marketplace. The customer can weigh the benefits of purchasing the discounted bundled offer rather than incurring separate transaction costs for assembling the individual services in the bundle.⁴

⁴ See FCC's *Bundling Report and Order*, released March 30, 2001, in FCC Docket 01-98, CC Docket Nos. 96-91, 98-183, ¶¶ 6 and 10 (March 30, 2001).

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Under the circumstances, there is no reason that additional regulatory requirements should be imposed upon the *BellSouth® Wireless AnswersSM* bundle and doing so would only inhibit, not promote, competition.

REQUEST: Your September 29, 2003 response to the Authority's September 25, 2003 Data Request stated that a portion of the \$2.00, \$5.00 and \$10.00 discounts on Cingular Wireless service will be funded by the regulated operations of BellSouth. Would BellSouth be willing to offer the same bundling arrangements to wireless providers other than Cingular? If so, will BellSouth fund comparable discounts to other wireless carriers? Provide detailed justification for your position.

RESPONSE: No. BellSouth acts as the agent for Cingular Wireless in the sale of Cingular Wireless services. BellSouth is under no obligation to act as the agent for any other wireless service provider or to offer the same or similar bundling arrangements with any other wireless provider.

In the offer reflected in the referenced tariff filing, BellSouth has accounted for a portion of the customer benefit as a charge against the revenue associated with the regulated BellSouth service included in the offer. BellSouth accounting procedures record sales incentives, such as discounts, as a contra-revenue as required by GAAP (Generally Accepted Accounting Principles). The sales incentive issue in accounting literature is covered by the "Revenue Recognition" requirements of GAAP and in particular EITF 00-14 and EITF 00-21. Likewise, Cingular Wireless has provided a portion of the customer benefit by reducing the bundle price for its non-regulated service offering. Consistent with this accounting treatment, each company derives benefit from the bundle, in the form of customer loyalty, and the ability to offer attractive prices on attractive bundles for its customers in Tennessee. BellSouth

funds the reduction in the bundle price of its service and Cingular Wireless funds the reduction in the bundle price of its service. Both BellSouth and Cingular Wireless recognize revenue reductions for their respective services in the bundle. CLECs in Tennessee are free to develop and sell a similar bundle if they choose to do so. There are multiple wireless providers throughout Tennessee for which the CLEC could act as an agent. CLECs can (and do) combine their own local service (whether resold, UNE-P or facilities-based) with wireless services and compete against BellSouth's consumer-benefiting offer.